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Today

One year after the deregulation of Canada's financial services industry, remaining barriers to foreigners are crumbling fast. But some analysts question to what extent outsiders plan to establish a presence there. 2

Electronic Data Systems Inc. completed its merger with MTech Corp. this week and has brought its ex-rival into a new strategic business unit. 2

Commonwealth Savings and Loan, Fort Lauderdale, Fla., expects a loss of more than $20 million as a result of unauthorized trading activities in a series of investment accounts. 2

The Senate Banking Committee is considering a bill that would let banks satisfy proposed rules for cashing government checks by offering all-electronic accounts to low-income people. 3

John P. LaWare's nomination to the Federal Reserve Board, once considered in trouble, now appears to be on the fast track. 3

Executive Changes 12
In the News 3

COMMENT

Instead of preventing foreign firms from operating in the United States, we should copy the European model and become more outward-looking, writes Atlanta Fed President Robert P. Forrestal. 4

THRIFTS & MORTGAGES

Anybody want to buy an Atlanta thrift? At least three are on the block at fairly reasonable prices, but likely buyers remain few and far between. 6

Dennis Jacobe, an economist for the U.S. League of Savings Institutions, has written in a league magazine that the FDIC is as decrepit as the FSLIC. FDIC Chairman L. William Seidman calls the story misleading. 6

James Thelen, a top originator at ComFed Mortgage Co., has jumped to San Diego-based ICA Mortgage Corp. to lead a New England expansion. 7

Despite the attractions of mortgage banking, thrifts that stick to traditional portfolio lending have performed better, writes Stuart Feldstein in the Thrift Observer. 4

Worth Repeating

There is an abundance of data to show that as you go down the education and income ladder, people just don't use direct deposit.

Peggy Miller of the Consumer Federation of America, in opposition to a proposal that would allow banks to satisfy rules on cashing government checks by offering all-electronic accounts to low-income people. [Page 3]

To Our Readers

The American Banker will not be published Monday in observance of Independence Day.

Thrift CEO Pay Rose 13% in '87

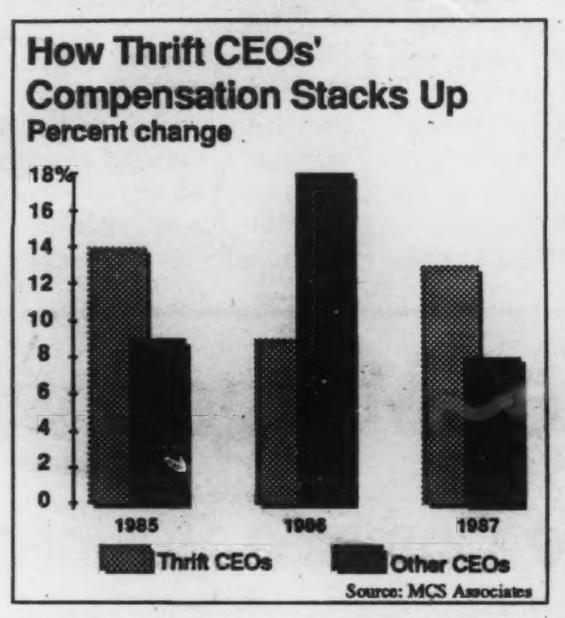
By LINDA ELLIS

NEW YORK — Compensation increases for chief executive officers at the nation's publicly traded thrifts jumped 13% last year, outdistancing their counterparts in other industries by 5 percentage points and the consumer price index by 8.6 percentage points.

Section Begins on Page 6

That in a year when the thrift industry, including mutual institutions, lost $6.8 billion.

According to a study by MCS Associates Inc., Newport Beach, Calif., there is no clear-cut evidence that thrift executive pay is related to performance. Higher or lower levels of company performance apparently bear little relation to the compensation of senior executives.



There is, however, a strong correlation between asset size and compensation; the bigger the thrift, the more it pays its top people. [A table listing the 100 highest paid executives at publicly

Thrift: Page 10 ➡

Mac ATM System Widens Lead; NYCE Now Ranks 2d in Volume

By JEFFREY KUTLER

NEW YORK — Mac, the automated teller machine network owned by Philadelphia National Bank, has widened its lead over other regional networks when ranked by interchange, or interbank, transaction volume.

Mac handled an average 7.9 million interchange transactions per month in 1987, double the volume of its two closest competitors, according to a survey conducted by the consulting firm of Speer & Associates.

The New York Cash Exchange, known as NYCE, and the Pulse network in Texas ranked second and third, respectively. Each had just under four million interchange transactions per month and grew faster in percentage terms than Mac. NYCE, on the strength of a 127% increase, jumped from ninth place to second, forcing Pulse to drop from second to third.

But Mac still managed to gain ground against its closest rivals, owing to its recent acquisition of the CashStream system from Mellon Bank, Pittsburgh.

Mac and CashStream — they actually merged in early 1988 but were treated as one in the Speer survey — were first and seventh, respectively, in Speer's 1986 ranking. Because of data-gathering complications, not all of CashStream's 1987 volume was count-

Mac: Page 16 ➡

2 Plead Guilty To Defrauding Continental

Lytle, Patterson Face 5-Year Prison Sentences

By LISABETH WEINER
Midwest Bureau

CHICAGO — Two former bankers facing a retrial pleaded guilty Thursday to felony charges of defrauding Continental Illinois National Bank and Trust Company of Chicago. The charges involved loans to Penn Square Bank, whose 1982 collapse almost toppled Continental.

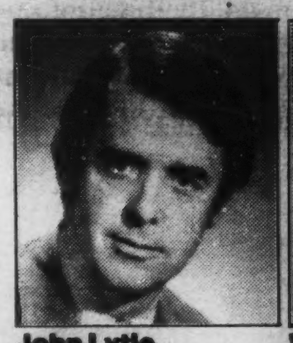
John Lytle, a former Continental Illinois loan officer, admitted to a single count of willfully misusing Continental Illinois funds. Former Penn Square executive William Patterson admitted to aiding Mr. Lytle.

In arranging the plea bargain, prosecutors agreed to drop 10 other charges of wire fraud and misapplication of bank funds. The two men were indicted on those charges in 1984.

A sentencing hearing was set for Aug. 30. Each faces up to five years in prison and a maximum fine of $5,000. Prosecutors have recommended prison terms for both of them.

"I have no comment except to say I feel we've come to an agreement fair to

Lytle: Page 15 ➡


John Lytle

William Patterson

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July 1, 1988, American Banker

By STUART FELDSTEIN

Portfolio Lenders Still Outperform Mortgage Bankers

ONE of the great mortgage industry trends of modern times began in the mid-1980s. That's when a number of the biggest U.S. thrifts rushed headlong into the mortgage-banking business. So far, it hasn't paid off.

Thrifts were drawn to mortgage banking by the seemingly very profitable spreads they could earn servicing loans for others. There was some logic behind the idea.

In the old days, thrifts were portfolio lenders. They held most or all of the loans they originated and then performed the servicing function (billing, collection, and customer service) on those loans. But by holding loans, portfolio lenders played a high-stakes game of interest rate risk.

As secondary markets for mortgages expanded, a number of thrifts moved to mortgage banking as a safer alternative. Some began selling almost all their loans, acquiring mortgage-banking firms and in general pegging their futures to servicing fees and loan-trading profits.

As it turns out, portfolio lending has been a better strategy so far. In both 1986 and 1987, the portfolio lenders were much more profitable than the thrift/mortgage bankers.

That conclusion comes from a new SMR Research Corp. study undertaken as part of our upcoming annual review of mortgage industry trends and competition. We examined profits, loan-portfolio composition, and loans serviced for others at the nation's 100 largest thrifts in assets.

We divided these big players into two groups. The first — thrifts with mortgage-banking strategies — had a greater volume of loans serviced for others than residential whole loans in portfolio. The second group included thrifts with bigger residential whole-loan portfolios than servicing portfolios. We used Federal Home Loan Bank Board data.

The thrift/mortgage bankers included 28 of the top 100 companies in 1986, and 25 of the top 100 in 1987. In 1986, the 28 earned a combined return on yearend assets of 0.25%. In the same year, the portfolio lenders were more than three times as profitable, earning 0.82% ROA. In 1987, the 25 thrift/mortgage bankers earned a combined return of negative 0.17%. Meanwhile, the portfolio lenders earned 0.29%

One glitch in the 1987 data involved American Savings and Loan Association, the huge but infamously troubled California thrift. This company has replaced many of its whole loans with purchased mortgage securities. Because the whole-loan portfolio was so small, American was counted with thrifts that had a mortgage-banking strategy. American lost $467.6 million in 1987.

But even when this company was removed from our group of thrift/mortgage bankers, the group still had a combined 1987 ROA of only 0.13% — less than half the level of the portfolio lenders.

We weren't surprised to see the portfolio lenders do better in 1986; they should do well in a declining interest rate environment. But, all other things being equal, the thrifts with a mortgage-banking strategy should have caught up in 1987. The gap did narrow, but the mortgage-banking thrifts never came close to matching the portfolio lenders' results.

'We don't expect to see a change anytime soon in the performance of the thrift/mortgage bankers versus their portfolio-loving counterparts.'

— Stuart Feldstein
President
SMR Research Corp.

We don't expect to see a change anytime soon in the performance of the thrift/mortgage bankers versus their portfolio-loving counterparts. Recently, spreads on mortgage servicing have been growing thinner due to hard price competition.

At the same time, thrift loan portfolios are shifting fast toward adjustable rate mortgages. This will help the better portfolio lenders through a rising rate environment, even though ARMs have more credit risk than fixed-rate loans.

Thrifts that opted for the mortgage-banking strategy were not alone. In 1985 and 1986, a host of manufacturing and insurance companies ranging from General Motors to Metropolitan Life jumped into the mortgage-banking business. So did a number of commercial banks, whose mostly disappointing 1987 mortgage banking results were the subject of a different SMR study.

Times have been hard for most mortgage bankers. But the situation is mostly ironic among the thrifts. At the very time when casual observers view the traditional thrift industry as nearly sunk, the better thrifts happen to be those that stuck with the portfolio business and simply have run that business the right way. ■

Mr. Feldstein is president of SMR Research Corp., Budd Lake, N.J., a publishing and consulting firm specializing in strategy research on consumer financial services.

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COMMENT

US Must Look Outward Instead of Raising Barriers

By ROBERT P. FORRESTAL

UNTIL RECENTLY, foreign investment in the United States was not an issue of interest or concern. Now, debates over the pros and cons of foreign ownership of U.S. assets are covered extensively in the national media.

Interest in this topic intensified as foreign investment in property, plant, and equipment — as well as foreign purchases of U.S. government securities and corporate stocks and bonds — accelerated sharply in the 1980s, and the United States emerged as the world's largest debtor, with some half trillion dollars owed to foreigners. As recently as 1981, the United States was the world's largest creditor nation, with $141 billion in net foreign assets.

While large federal budget and trade deficits in the 1980s resulted in a huge surge of foreign portfolio investment in U.S. Treasury securities, they also contributed to a substantial increase in foreign direct investment, which includes U.S. businesses acquired or established by foreign investors holding at least a 10% ownership interest. Since 1981 one-fourth of the change in the nation's net indebtedness has been in this type of investment.

The heightened presence of foreign ownership of U.S. financial and real assets, especially the establishment of manufacturing and service affiliates, has raised not just interest but also concerns about the long-run consequences of these investments. Some people worry that the accumulation of foreign debt occasioned by our large federal budget deficit will lower future U.S. living standards.

Others are more apprehensive about foreign direct investment, citing potential national security and foreign policy risks, the eventual outflow of profits to the country of origin, and wasted public resources associated with competition among state and local governments to recruit foreign firms.

Foreign Investment in US Still Small

While I share the concerns about our external financial obligations and their likely adverse impact on future generations, I am not alarmed by the rise in foreign direct investment. First, it is important to bear in mind that the scale of foreign direct investment in the United States is still quite small. In terms of jobs, for example, only 3% of the U.S. work force is employed by U.S. affiliates of foreign-owned firms.

Certainly, some risk to national security is posed when defense contracts are let partially to foreign-owned firms. Safeguards are already in place, however, to guard against abuses. For example, defense contracts cannot be awarded to firms that are more than 25% foreign-owned, and foreign investment in a few sensitive industries is prohibited. We must be careful in drawing these lines of protection around certain industries, though. If overdone, they could dull the competitive edge of U.S. businesses.

It is also true that profits are ultimately repatriated to the country of origin, but we still enjoy many benefits, especially at the regional level —higher employment, more diversified local economies, and expanded property and payroll tax bases. I admit that competition among state and local governments to lure foreign direct investment with tax abatements, free land, subsidized labor training, and other inducements can be wasteful and cause a cleavage between national and local interests. In many instances the foreign direct investment would have occurred anyway.

However, these criticisms apply to all types of investment, not just foreign. The fact that Americans are concerned about such practices when the source is foreign reflects the vestiges of our isolationist traditions. Compared to other advanced economies, we are still very inward-looking in many respects. The irony, some would say hypocrisy, is that U.S. firms were leaders in setting up operations in Europe in the 1950s and 1960s, and even earlier in Latin America. Businesses abroad responded to this challenge by putting even greater emphasis on international markets, and many are now beating us at our own game.

The best strategy on our part is not to keep foreigners from opening up operations here or from acquiring U.S. firms. Rather, we should copy the successful model of Europe — and, indeed, the most rapidly developing countries — and become more outward-looking so that we are not left behind as the world economy becomes increasingly integrated. ■

Mr. Forrestal is president of the Federal Reserve Bank of Atlanta.

Something to Say?

Please direct any comments you may have to the editor, William Zimmerman, American Banker, One State Street Plaza, New York 10004. Letters may be edited for reasons of space and clarity.

Thrift Executives Were Well Rewarded in '87 Despite Losses

→ Continued from Page 1

held thrifts appears on page 11.]

At first blush it could appear that the relatively high compensation might be one reason the thrift industry is so troubled, but "that's not the case," said Jon Rosenbaum of MCS.

"The challenges of the industry require that, in order to attract and retain good managers, you need to provide very competitive compensation programs," Mr. Rosenbaum said. "A lot of thrifts are seeking senior management from other industries and for that they need to offer higher compensation."

Compensation includes salaries, incentives, bonuses, deferred compensation payments, and accruals. MCS gleaned data from proxy statements and annual reports from a sample of 343 institutions.

According to a compensation study done by SNL Securities Inc., at least five thrift executives earned more than $1 million in fiscal 1987. The survey by the Hoboken, N.J., firm, which involved 409 companies, included individual results. There are 432 publicly traded thrifts.

Only one of the five thrifts that paid their executive more than $1 million posted an increase in profits during the period. At that one, CalFed Inc., Los Angeles, the chairman's compensation climbed 16.5%, while the thrift's profits grew 5.6%.

Thomas Spiegel, chief executive officer of Columbia Savings, led the pack with compensation of $4.46 million, up 15.5% from the previous year. A colleague, David A. Sachs, senior vice president at the Beverly Hills thrift, finished fifth with $1.04 million, up 98.1%.

But from this year forward, Mr. Spiegel's compensation will be tied to the thrift's profitability and stock performance. A new package for the CEO has satisfied the Federal Home Loan Bank Board, which had questioned Mr. Spiegel's compensation.

Charles H. Keating Jr., chairman of American Continental Corp., parent of Lincoln Savings and Loan Association, Irvine, Calif., took second place at $1.95 million, up 10%, during a year when Lincoln's earnings fell 19.9%.

Mr. Keating's salary is not paid out of Lincoln's earnings, but out of the parent company's return, a spokesman said. American Continental has strong earnings from nonthrift activities, unlike many thrift holding companies.

Robert R. Dockson, chairman of CalFed, parent of California Federal Savings and Loan Association, placed third with $1.136 million in 1987 compensation.

At Great Western Financial Corp.'s

Thrift: Page 11 →

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Washington Briefing

→ Continued from Page 6

been written."

□

M. Danny Wall, chairman of the Federal Home Loan Bank Board, reproached us last week for an inaccuracy in this column describing his criticism of the press for inaccurate reporting. We said Mr. Wall no longer announces details of the sales of sick thrifts because the news reports have been "screwed up."

What Mr. Wall actually said was that people have told him he shouldn't release any additional details. The Bank Board continues to release the same basic information they have put out all along.

Mr. Wall was responding to a request from the Federal Savings and Loan Advisory Council for even greater disclosures about the transactions. The council thinks the information on past deals would encourage new ones.

Mr. Wall told us that Board member Roger Martin is the person who suggested releasing less information than is currently available.

Mr. Martin confirmed this. He said that some general circulation dailies, not the *American Banker*, are guilty of confusing the terms of those complex deals.

□

One Bank Board deal we'd like to see laid bare is the decision to let Lincoln Savings and Loan Association, Irvine, Calif., escape the regulatory clutches of the Federal Home Loan Bank of San Francisco. That decision, approved by a 3-to-2 vote of the Bank Board in May, is generally perceived as unwise because it set a worrisome precedent.

At a press conference on Wednesday, Mr. Wall told reporters that no other institutions have made similar applications to flee the grasp of their district examiners.

"No other institutions have undergone an examination that lasted three years [like Lincoln]," he said.

Why not remove the regulators instead of Lincoln? Mr. Wall declined to comment on the situation, citing his public trust to keep such deliberations confidential. But Congress, exercising its public trust of oversight, has requested transcripts of the 27 hours of interviews that led to the Bank Board's decision, and like it or not, the board will turn over its information.

Lincoln is owned by Charles Keating, an influential Republican fundraiser and chief executive officer of American Continental Corp. in Phoenix. He claims the examiners were unfair to his institution.

Mr. Wall and Mr. Martin voted in favor of letting Lincoln out if it can pass an exam by Bank Board regulators based in Washington. That exam is under way. Lincoln also must buy a thrift in another district first, then transfer its headquarters there.

Board member Lawrence White voted against the move. "I was in the middle," Mr. Wall said on Wednesday. ■

Thrift Execs Won Big Raises in '87

Continued from Page 10

Great Western Bank, Beverly Hills, profits fell 35.6%, but its chairman, James F. Montgomery, received a 4.3% boost in compensation to $1.128 million, to finish fourth.

Ian D. Campbell, a spokesman, said Mr. Montgomery is underpaid given the success of Great Western. Core earnings were up in 1987, he said, and overall profits were down only because of accounting changes and the writeoff of the Federal Savings and Loan Insurance Corp. secondary reserve fund.

The Great Western income statement for 1987, however, shows core earnings lower than in 1986 on a pretax and tax-adjusted basis, with core earnings excluding gains on asset sales, loan-loss provisions, the FSLIC secondary reserve charge, and gains or losses on subsidiary sales.

Merrill Butler, executive vice president of Financial Corporation of America, parent of the insolvent American Savings and Loan Association, Stockton, Calif., saw a 34.9% compensation increase to $730,897 last year. In the same period, American lost $467.5 million, a 470% nosedive. Payments to Victor H. Indiek, FCA executive vice president, rose 88% to $536,275.

"In both cases, the increases reflected well-deserved bonuses," said Layna Browdy, an FCA spokeswoman. "Merrill Butler heads up the real estate division and has the task of disposing of problem real estate, restructuring problem loans, managing real estate. He has consistently exceeded the ambitious goals of that division.

"American Savings has had enormous loan-quality problems," she said. "The only way to dig out of that is a first-class real estate job."

The MCS Associates survey indicates that the link between pay and company performance is relatively weak.

For example, Donald L. Thomas, chairman and chief executive of troubled Anchor Savings Bank, Northport, N.Y., was paid $747,436 in 1987. Earnings at Anchor, which has $7.7 billion in assets, fell 49% last year, yet Mr. Thomas' compensation was higher than that of 97% of executives of other publicly held thrifts, including much larger institutions.

The MCS study found a return on assets in 1987 of 0.84% for the surveyed group. In contrast, the median ROA achieved by the top 25% of companies as measured by profitability was 1.37%, 63% greater than for the entire sample. The median ROA for the bottom 25% was 0.12%, 86% less than for the overall sample.

"Our statistical regression analysis indicated that the highest paid executives at the top 25% earned, on average, only about 20% more than their counterparts at the bottom 25%," Mr. Rosenbaum said. "This small differential is insignificant when compared to the average differential in performance by these companies.

"The survey results do show that the strong traditional relationship between the highest paid executive's compensation and asset size still holds," he said. "Over 73% of the variance in total cash compensation was explained by the variance in asset size."

The survey by MCS Associates also showed that:

- Incentive plans have become almost universal at thrifts and were found at 98% of the surveyed companies. Incentive plans are short term (based on the annual performance of the executive) or long term (based on company profitability and stock performance).
- Incentives and other cash compensation ranged from 12% to 49% of base salary, with a 29% average overall.
- Employee stock ownership plans were in use at 33.9% of surveyed thrifts, up 59%. ■

The 100 Highest Paid Executives at Publicly Held Thrifts

1987 data compiled from proxy statements by SNL Securities Inc.

				Compensation[1]	% Incr.
1.	Thomas Spiegel	Columbia Savings	Chief Executive Officer	$4,460,000	15.5%
2.	Charles H. Keating Jr.	American Continental Corp.	Chairman	1,954,914	10.1
3.	Robert R. Dockson	CalFed Inc.	Chairman	1,136,233	16.5
4.	James F. Montgomery	Great Western Financial	Chairman	1,128,500	4.3
5.	David A. Sachs	Columbia Savings	Senior VP	1,040,000	98.1
6.	George F. Rutland	CalFed Inc.	President	948,894	11.6
7.	Robert J. Kielty	American Continental Corp.	Senior VP	873,962	17.2
8.	Charles H. Keating 3d	American Continental Corp.	Executive VP	863,494	7.9
9.	Judy J. Wischer	American Continental Corp.	President	839,693	NA
10.	Richard H. Deihl	H.F. Ahmanson & Co.	Chairman	837,750	7.4
11.	Kenneth J. Thygerson	Imperial Corp. of America	President	806,250	7.5
12.	David L. Paul	CenTrust Savings Bank	Chairman & President	761,625	39.1
13.	Robert B. O'Brien Jr.	Carteret Bancorp	Chairman	756,139	20.5
14.	Donald L. Thomas	Anchor Savings Bank	Chairman	747,436	10.0
15.	Gordon C. Luce	Great American First SB	Chairman	732,723	21.6
16.	Merrill Butler	Financial Corp. of America	Executive VP	730,897	34.
17.	Herbert M. Sandler	Golden West Financial	Chairman	702,134	38.8
18.	Marion O. Sandler	Golden West Financial	President	695,164	36.5
19.	John F. Maher	Great Western Financial	President	678,325	33.3
20.	Abraham Spiegel	Columbia Savings	Chairman	660,000	14.6
21.	Raymond D. Edwards	GlenFed Inc.	Chairman	650,165	34.2
22.	R. M. Wurzelbacher Jr.	American Continental Corp.	Senior VP	647,129	NA
23.	William F. Ford	Broadview Savings Bank	Chairman	621,499	62.1
24.	Lawrence Weissberg	Homestead Financial	Chairman & President	618,442	-39.8
25.	Kim Fletcher	Home Federal Savings and Loan	Chairman	617,036	13.3
26.	Thomas R. Bomar	AmeriFirst Bank FSB	Chairman	602,000	2.1
27.	Theodore H. Roberts	Talman Home Federal Savings	Chairman	600,000	0.0
28.	William J. Levy	County Savings Bank	Chairman	590,235	13
29.	Ross B. Kenzie	Goldome FSB	Chairman	565,594	-2.1
30.	Jenard M. Gross	United Financial Grp.	President & Chairman	564,518	13.3
31.	Mario Antoci	H.F. Ahmanson & Company	President	558,500	12.6
32.	Luke A. Balone	CrossLand Savings FSB	Chairman	549,894	10.6
33.	James C. Schmidt	Great American First SB	Vice Chairman	547,672	20.3
34.	Frank Wille	Greater New York Savings Bank	Chairman & CEO	542,500	72.2
35.	David E. Blackford	Far West Financial	President	540,882	-2.8
36.	Harry W. Albright Jr.	The Dime Savings Bank of NY	Chairman	540,433	1.5
37.	William A. Fitzgerald	Commercial Federal Corp.	President	539,982	58.8
38.	William J. Popejoy	Financial Corp. of America	Chairman & President	539,717	3.0
39.	Michael M. Pappas	Great Western Financial	President of Finance Div.	536,617	NA
40.	Victor H. Indiek	Financial Corp. of America	Executive VP	536,275	88.0
41.	Ray Martin	Coast Savings	Chairman	533,406	32.5
42.	Clifford J. Piscitelli	Far West Financial	Executive VP	533,400	-36.7
43.	Anthony C. La Scala	Great Western Financial	Executive VP	513,500	0.7
44.	E.R. Hoffman	Great Western Financial	Executive VP	513,500	3.0
45.	E. Virgil Conway	Seamen's Corp.	Vice Chairman	512,000	-2.5
46.	Norman M. Coulson	GlenFed Inc.	Vice Chairman	503,291	48.7
47.	James A. Aliber	First Federal of Michigan	Chairman	501,078	21.3
48.	John R. Lakian	Merchants Cap Corp.	Chairman & Co-CEO	496,752	NA
49.	Albert H. Hogerson Jr.	Home Owners Federal Savings	President	492,011	66.7
50.	Robert F. Adelizzi	Home Federal Savings and Loan	President	489,570	17.8
51.	Maurice L. Reisman	CrossLand Savings FSB	President	475,700	44.8
52.	Thomas J. Owen	Perpetual Savings Bank FSB	Chairman	475,200	10.0
53.	Alfred J. Hedden	CityFed Financial Corp.	President	473,523	-5.2
54.	Donald F. McCormick	Howard Savings Bank	Chairman	470,501	18.4
55.	Walter A. McDougal	Richmond Hill Savings Bank	Chairman	466,733	138.9
56.	Thomas R. Ricketts	Standard Federal Bank	Chairman & President	462,262	13.0
57.	William L. Waldo	Dominion Federal Savings	Chairman	460,236	1.6
58.	Joseph C. Scully	St. Paul Bancorp	President	450,019	13.6
59.	William Belzberg	Far West Financial	Chairman	450,000	0.1
60.	Jerome R. McDougal	Apple Bank for Savings	Chairman	448,638	NA
61.	Herbert J. Young	Gibraltar Financial Corp.	Chairman	445,216	-19.1
62.	William L. Callender	CalFed Inc.	President of Subs.	435,076	29.9
63.	Kent Dixon	Northeast Savings	Chairman	433,424	71.6
64.	John B. Sweger	Fortune Financial Group Inc.	Chairman & President	432,301	9.5
65.	John W. Sapanski	Dime Savings Bank of NY	President	429,000	7.5
66.	Walter D. Shealy 3d	CenTrust Savings Bank	Senior Executive VP	421,877	53.4
67.	Junius F. Baxter	Western Capital Investment	Chairman	419,013	2.6
68.	Robert J. Spiller	Boston Five Cents Savings Bank	Chairman	414,977	23.5
69.	Philip R. Brinkerhoff	Financial Corp., Santa Barbara, Calif.	Chairman & Pres.	412,000	-36.2
70.	Paul A. Willax	Empire of America	Chairman	411,899	-25.0
71.	Barry Munitz	United Financial Group	Chairman Exec. Comm.	409,496	11.7
72.	Kevin E. Villani	Imperial Corporation of America	Executive VP	408,000	20.0
73.	Louis H. Pepper	Washington Mutual Savings Bank	Chairman	402,073	38.0
74.	Paul E. Rapchak	Washington Federal Savings-DC	President of Subs.	401,432	33.8
75.	John T. Morgan	American Savings Bank	Chairman	401,071	-1.5
76.	David Rosenthal	Columbia Savings	Executive VP	400,000	NA
77.	Donald C. Headlund	Valley Federal Savings	President	395,679	NA
78.	William F. Olson	Peoples Westchester SB	Chairman & President	394,296	-5.0
79.	John M. Robbins Jr.	Imperial Corp. of America	Executive VP	394,197	17.6
80.	Paul E. Ruch	Goldome FSB	President	392,264	4.6
81.	Alfred W. Archibald	The Boston Bancorp	Chairman	387,503	-9.2
82.	Frederick S. Hammer	Meritor Financial Group	Chairman	383,464	-16.9
83.	Larry W. Reed	Columbia Savings	Senior VP	375,000	-8.5
84.	John D. Driggs	Western Savings and Loan	Chairman	372,851	-9.9
85.	Gary H. Driggs	Western Savings and Loan	President	372,851	-909
86.	Jack D. Burstein	American Capital Corp.	President	371,912	23.0
87.	Robert D. Pierson	Carteret Bancorp	Vice Chairman	369,052	13.5
88.	Robert J. Mueller	Carteret Bancorp	President	369,052	13.5
89.	Maurice L. McAlister	Downey Savings and Loan	President	367,765	-2.3
90.	Britt Evans	Homestead Financial	Executive VP	365,561	-29.3
91.	Donald R. Caldwell	Atlantic Financial Federal	President	365,510	5.1
92.	Keith P. Russell Jr.	GlenFed Inc.	Senior Executive VP	364,499	40.4
93.	Robert R. Masterton	The One Bancorp	Chairman & President	364,440	NA
94.	Roger K. Lindland	Great American First SB	Senior Executive VP	363,520	33.6
95.	Roy E. Weber	Great Lakes Bancorp FSB	Chairman & President	363,445	40.8
96.	Richard R. Laine	The Boston Bancorp	President	363,166	-13.7
97.	George Graboys	Citizens Financial Group Inc.	President	360,765	4.9
98.	David E. Bradbury	Co-Operative Bancorp	Chairman	360,000	NA
99.	William S. Mortensen	FirstFed Financial Corp.	Chairman	359,820	4.8
100.	William S. Bushnell	Amoskeag Bank Shares Inc.	Chairman	359,436	23.4

[1]Compensation is shown for the latest fiscal year and is annualized if paid for only a partial year. Bonus, salary, deferred compensation, and other forms of cash-equivalent compensation are shown together. Deferred compensation and bonuses, where applicable, are shown for the amount accrued during the fiscal year. Compensation does not include the premium value of stock options exercised or stock options awarded. Severance pay and signing bonuses are not included.

Source: Data are from proxy statements, in which public companies are required to report cash compensation paid to each of the five most highly compensated executive officers earning more than $60,000, as well as directors' fees and benefit plans offered.

Mac Widens Lead over ATM Networks, Survey Shows

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ed in the survey. Therefore, Mac's lead probably was understated.

Mac and CashStream's combined 4,500 ATMs in six eastern states thus handled at least twice as much interchange volume as the second biggest network in 1987. Mac alone had slightly less than double its closest rival's volume the previous year.

Speer, which is based in Atlanta and counts several major ATM networks among its clients, builds its survey around interchange volume. Because it measures customers' use of machines away from their own financial institutions, interchange volume is "the No. 1 success factor for a shared network," the company said in its survey report.

Speer gathered data from only 47 of the 100 largest shared networks, so its rankings are less comprehensive than those of *Bank Network News* and *The Nilson Report*, trade newsletters that follow the electronic banking industry.

Top 10 Regional ATM Networks

Based on interchange (interbank) transactions

1987 Rank	1986 Rank*	Network, home state	Interchange Uses per card Per year	Interchange Transactions (mil./month)	Change In year
1	1	**Mac/CashStream[1] (Pennsylvania)**	14.4	7,929	4 %
2	9	**NYCE (New York)**	5.2	3,981	127
3	2	**Pulse (Texas)**	6.6	3,964	31
4	3	**Exchange/Accel (Washington)**	8.0	3,333	11
5	5	**Honor (Florida)**	6.8	2,905	30
6	19	**Owl (Ohio)**	11.0	2,833	243
7	–	**Money Station (Ohio)**	4.8	2,744	...
8	–	**Most (Virginia)**	8.0	2,636	...
9	8	**Cash Station (Illinois)**	14.0	2,583	29
10	4	**Mpact (Texas)**	13.9	2,432	(11)

*1986 comparisons not available for networks not in that year's top 20 list.
[1]Networks consolidated in 1988. Because only a portion of CashStream's volume is included, the transaction total and percentage increase understate the full impact of the merger. In 1986, Mac ranked first with 5.6 million transactions per month, CashStream seventh with 2,042 transactions per month.
Source: Speer & Associates, Atlanta; average monthly data for 1987.

Different Results

In its most recent annual survey, using September 1987 figures, *Bank Network News* listed five networks among the Top 20 in interchange volume that did not show up in Speer's survey. The biggest of the missing is X-Press 24, a network operated by BayBanks Inc., Boston, which *Bank Network News* ranked second and which was in Speer's Top 20 for 1986.

Speer also averages transaction totals over a 12-month period, which tends to understate the current volumes of fast-growing networks. For example, NYCE shows up on the Speer list with 3.98 million interchange transactions, but that rose to 6.2 million in May 1988.

Speer said NYCE will challenge Mac for first place in the next two years. Its rate of 5.2 transactions per card per month, low by industry standards, is likely to rise among NYCE's 11.2 million cardholders — one of the largest of all customer bases.

By focusing on interchange volume, Speer disregards at least two other key measures of network size — total number of machines and total transactions. NYCE is the biggest by these measures, followed by Star System Inc. of California, Money Station of Ohio, and Pulse of Texas. Speer's survey ranked Money Station seventh in interchange volume with 2.7 million transactions per month, and Star System barely missed the Top 10 with 2.3 million.

Star System, TransFirst Corp.'s MoneyMaker network in Texas, Money Station of Ohio, and the Treasurer of New Jersey all broke into Speer's Top 20 this year.

The Owl network, owned by Central Trust Co., Cincinnati, leaped from 19th to 8th place after joining the statewide Money Station network. MTech Corp.'s Mpact system suffered with the Texas economy and fell from 4th to 10th.

'Over-ATMing' Continues

Speer pointed out that the 47 networks in its data base accounted for 68% of the 70,000 ATMs in the United States at the end of 1987. Therefore, if the Speer listings are not as complete as some others, they do reflect trends in the ATM market such as saturation, which Speer and other industry analysts have observed in recent years.

The consulting firm calls this phenomenon "over-ATMing" to suggest that the availability of ATMs outstrips consumer demand for the service.

Interchange volume at the 20 largest ATM networks grew 45% last year to 54.2 million per month at yearend, while the number of ATM installations was rising 40% to 70,000. The five-percentage-point difference was "not sufficient to stop the over-ATMing trend among regional network members and terminal providers," said Richard Speer, president of Speer & Associates.

Speer's data also reveal a growing concentration in the ATM networking business, with the biggest networks tending to accumulate ever-larger shares of the market at the expense of smaller organizations. The Mac-CashStream consolidation reinforces the notion that the big are getting bigger, but Speer backs that up with aggregate statistics.

The top 20 networks accounted for 80% of all interchange transactions at ATMs last year, and their proportion will grow to 85% by 1990, Speer predicted. The top 20 also linked a total of 39,252 machines in their systems, 40% more than in 1986 and 56% of all ATMs in the United States.

The top 15 networks — which Speer calls "superregionals" — averaged three million monthly interchange transactions in 1987, more than three times the volume of the next 15 most active systems.

"Speer & Associates attributes the differences in performance to the higher levels of convenience offered by the larger networks in terms of sheer geographical coverage, and to the greater awareness that larger networks typically create with signs and more intense marketing campaigns," the survey report said.

The major networks are expanding geographically and earning the "superregional" designation; for example, NYCE reaches into 21 states, Pulse and Star into six each. Speer said the basic character of the Top 20 ranking will not change much in the next few years.

Of the 20 biggest networks, 16 meet Speer's definition of superregional by doing at least two million interchange transactions per month. There were only eight of these last year out of an estimated 175 shared ATM systems in the United States.

"Probably no more than two additional networks have the potential to reach superregional status over the next year or so," Mr. Speer said.

Magic Line in Michigan, Metroteller in New York State, Rocky Mountain BankCard System in Colorado, and Treasurer all had at least 1.5 million monthly transactions last year on their way to becoming superregionals.

Networks that reach the 2-million-per-month threshold are likely to survive as independents, while many of the smaller networks will be merged and consolidated, Speer said in a four-year projection that accompanied the 1987 shared-network report. The superregionals will account for 77% of interchange volume in 1988 and 78% in 1991, while several other regional networks below that top tier will drop to 15% in 1991 from 16% this year. Another 150 independent networks will divide 4% of the market this year and only 3% in 1991.

Speer said that between the end of 1988 and 1991, the number of ATMs will rise from 80,000 to 96,000, the number of debit cards from 160 million to 186 million, and the annual number of ATM transactions from 4.6 billion to 7 billion. Of total ATM transactions, the percentage of interchange transactions would increase from 18.3% to 19.1%.

The Speer survey did not include retail payment systems such as Interlink in California and Cactus Switch in Arizona. Though technologically similar to shared ATM networks, these systems currently handle only point-of-sale payments.

Speer did find that 25 of the 47 networks it surveyed processed 12 million point-of-sale transactions last year through 34,764 direct-debit terminals. That averaged out to 44 transactions per active terminal per month, a rate that Speer said is "comparable to the levels in major markets where networks have been supporting POS services for some time." ■

NYCE Lowers Transaction-Processing Fees an Average of 20%

NEW YORK — The New York Cash Exchange, the largest regional automated teller machine network, has reduced transaction processing fees for the third time since its inception in 1985.

The network, linking more than 6,000 ATMs of 360 financial institutions in 21 states, said its switching fees will fall today by an average 20%. These fees, levied on "foreign" or interchange ATM transactions, have dropped a cumulative 50% in two years.

NYCE's cost reductions reinforce a nationwide trend among ATM networks. Star System Inc., a California-based network that is the second largest in the U.S. with more than 5,000 machines, cut prices by an average 20% early this year. Smaller networks have been following suit.

Because computer costs are relatively fixed, a network's costs of processing an incremental transaction — transmitting the relevant data between member banks — comes down as the number of transactions increases. This allows the networks to pass on their economies of scale to member institutions.

NYCE's monthly switch volume currently exceeds 6 million transactions, up from 4.5 million in October 1987 when the last price reductions took effect. The network switched only 44,000 items in March 1985, its first month of operation.

Although NYCE is the nation's biggest shared network, its interchange volume is half that of Mac, a network operated in the Middle Atlantic region by Philadelphia National Bank.

In the new NYCE pricing schedule, switch fees range between 13 cents and 6 cents per transaction. Card-issuing financial institutions with the highest transaction totals pay the lowest fees.

The sliding scale ranged from 19 cents down to 9 cents in the pricing system that expired on Thursday. The old price list gave preferential treatment to charter members of NYCE — they paid a maximum of 15 cents — but this differential is now being abolished.

Fee to Join Remains

Unchanged is the one-time participation fee that members pay upon joining the network. This fee rises according to a member's size, from $5,000 to $20,000 for institutions in the New York metropolitan area, and from $2,500 to $10,000 for those in nearby states but outside the core market. Members from distant states such as California and Missouri are not charged entry fees.

"It has always been understood that we would pass the benefits of cost reductions on to our members," Elizabeth Taylor, vice president of marketing for New York Switch Corp., said in a telephone interview. New York Switch is the company based in Fort Lee, N.J., that administers the NYCE operation.

New York Switch officials continually review NYCE's financial condition, Ms. Taylor said. But a recently concluded data processing agreement with Deluxe Data Systems, Brown Deer, Wis., helped the price-cutting process along.

Deluxe obtained a five-year extension of its contract to deliver switching services to the network. The contract "allows us to plan with some certainty of what our own costs will be," Ms. Taylor said.

"The terms of our processing arrangement with Deluxe allow us to be extremely competitive in both the performance and the pricing that we can offer our members," said Alan P. Pohlman, president of the network. He added that the series of fee reductions creates a positive image for NYCE as it seeks to attract and keep member institutions.

While financial institutions' cost of membership in NYCE and other networks has been declining, there is no sign that consumers are seeing any benefits. If anything, cardholders are finding it more common to be charged fees for using foreign ATMs.

Recent surveys by the American Bankers Association and by independent researchers have shown that a majority of banks with more than $500 million in assets charge for transactions performed at ATMs they do not own, with the average cash withdrawal fee exceeding 80 cents per transaction.

Prices charged to cardholders are "totally an individual bank decision," said Ms. Taylor of NYCE. "We as an organization never make or suggest policy respecting the member banks' pricing decisions. The bank-customer relationship is treated as sacred."

— Jeffrey Kutler